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RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
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UNCLAS SECTION 01 OF 03 ASHGABAT 000299

SENSITIVE
SIPDIS

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SUBJECT: TURKMENISTAN: UNEMPLOYMENT STILL THE ELEPHANT IN THE ROOM

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: Unemployment is still a major problem in Turkmenistan. President Berdimuhamedov's mandates, such as ending reductions in personnel in order to pay for wage increases and the reinstatement of ten years of schooling, have helped to slow the growth of unemployment. However, Berdimuhamedov has not yet offered any concrete ideas for reducing unemployment. Unemployment appears to be especially acute among those aged 16-24 and among rural residents. Locals assess that the government has done little to create new jobs, and its modest efforts to help people find jobs has been corrupted by opportunism. Even foreign businesses provide only a modicum of largely temporary relief for the problem, which seems destined to grow. Promoting the development of more small- to medium-sized private businesses and allowing a more fertile environment for them to grow would help ease the stresses that unemployed youth could potentially put on this society. END SUMMARY.

GROWING POOL OF YOUNG AND UNEMPLOYED

13. (SBU) The central government continues to be the most significant employer for Turkmenistan's population. Seventy to eighty percent of the employed population is thought to be working in the public sector. Government statements in recent years suggest that some twenty percent of the workforce is in the private sector or self-employed. Official unemployment statistics have not been published in 13 years, however, making it difficult to evaluate such statements. The last official survey, conducted in 1995, implausibly assessed unemployment to be three percent. A 2006 Asian Development Bank report estimated that unemployment in the country was more than 50 percent. Local residents consider the most vulnerable category of the population to be the 16-24 year old age group in both urban and rural areas. The Ministry of Education reported that some 115,000 students graduated from high school in 12008. Our Public Diplomacy office, through its work on education programs, estimates that about 30,000 are enrolled in universities here and abroad annually. Using these figures, it is possible to deduce that some 70,000 young people are entering the country's labor pool annually, equipped with a high school education. According to a Ministry of Education report presented at the Central

Asian Republics and Kazakhstan (CARK) Education Forum in Dushanbe on June 7-8, 2005, only about 11 percent of 16-24 year olds were employed.

GOVERNMENT JOB OFFICES ARE LITTLE HELP

14. (SBU) Since 1997, the Turkmen government has operated "labor exchanges" or employment offices, operating as self-sustained entities under local governments. Although most vacancies in the labor exchanges' databases are for unskilled positions, employment offices have not been effective in reducing unemployment, according to local staff. Turkmenistan's regulations require that all vacancies be shared with interested applicants in such labor offices. The hiring process in state agencies and enterprises is not transparent, however, and corruption has undermined the purpose and utility of these offices. Job vacancies are concealed from job seekers, and hiring officers reportedly often hold the vacancies for their extended family members or sell them like a commodity. A friend of a Pol/Econ local staff member said that she was asked to pay a \$5,000 bribe to allow her son to apply for a junior staff position in a government agency. The bribe, however, would not guarantee the person would get the job before he passed the official security and loyalty clearance process.

HITCHES TO GOVERNMENT EMPLOYMENT

15. (SBU) The government employment clearance process includes a criminal background check of the candidate, as well as members of his immediate and extended family, both alive and deceased. Checks are also performed to ensure that neither the candidate nor any of his relatives were ever involved in any questionable activity that

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would put his political loyalty in doubt. The security check is conducted by the Ministry of National Security (MNB) and can take 6 months, according to local staff. Upon successful completion of the clearance process, the candidate then signs a six-month labor contract. Renewing this labor contract is dependent upon an employee's work performance and the loyalty he has demonstrated to his superiors. Local staff report that it is common for corrupt managers to abuse this authority by pressuring employees to pay bribes to have their labor contract extended. The relative of one local staff person who has been a secondary school teacher for over 15 years, reported that the school's principal demands a \$50 bribe from the teacher every time her contract must be extended. (NOTE: The government introduced a 6-month labor contract system in 2005. The intention was to make it easier for government agencies to dismiss unwanted personnel after former President Niyazov ordered government entities to reduce their staffing. His plan had been to apply the savings acquired through firings to pay for wage increases for everyone else. This strange contract system is still in place. END NOTE.)

GOVERNMENT EMPLOYMENT STRATEGIES NOT IDEAL

16. (SBU) In the mid-1990s, ostensibly to help reduce unemployment, former President Niyazov built two textile complexes, each of which was to employ up to 3,000 people, as well as cotton mills that would employ 500 people in each of the five provinces. In more recent years, however, due to low crop yields and ever-decreasing cotton production, these factories have all cut their labor force by some 50 percent, according to local staff. Today, a variety of factories and industrial complexes are appearing on the Turkmen landscape. Before a factory is even commissioned, however, the jobs they represent are often passed by provincial authorities to their extended family members, according to local staff. Those without family connections might, however, get a factory job by paying a bribe of \$300, but this is a significant amount of money for a provincial resident to come up with.

17. (SBU) The government now requires that foreign businesses operating in Turkmenistan be staffed with at least 70 percent Turkmen citizens. Foreign construction companies, in particular, are employing significant numbers of Turkmen, especially in and around Ashgabat. However, employment with construction firms is short-term, and the average salary of \$100 per month is low for

unskilled laborers, considering the demanding nature of the work as well as the ten-hour days and six-day workweeks that are required. Nonetheless, local staff report that a significant number of unskilled laborers are migrating from northern and eastern rural regions to land one of these jobs. The official hiring process for permanent positions requires that an employee be a registered resident of Ashgabat. The lack of registration, therefore, can limit one's employment options even more. Local staff report, however, that the Ashgabat residence requirement can be overcome by paying a bribe to the proper people. Because of construction's temporary nature, those who migrate from the provinces to work in construction do not have the residency requirement. (NOTE: This likely makes unskilled construction work more alluring for rural residents. END NOTE.)

PRIVATE SECTOR OPPORTUNITIES HAVE THEIR LIMITS

18. (SBU) Employment opportunities in the private sector include jobs in the restaurant business, retail sales and private transportation and shipping services, as well as in the offices of diplomatic and international entities. The jobs are often filled by people of a certain age and gender. For example, restaurant and retail businesses hire only females 18-25 years old, and private security agencies hire only young men who completed their military service and are under 30. Owners of private shipping companies prefer to hire experienced, middle-aged drivers. However, in Turkmenistan's private sector, company owners and managers first offer available jobs to extended family members, according to local staff. Self-employment is also very common. This includes private

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cab drivers, food vendors, private caterers, seamstresses, hairdressers, welders, and plumbers. People with post-secondary education often tutor schoolchildren as well.

19. (SBU) COMMENT: Although much of this is anecdotal, and there are no solid statistics, it does paint a picture of a labor environment with rigid employment regulations and a lack of transparency that has provided additional opportunities for corruption to those who wield any modicum of authority. Regarding the number of high school-educated youth entering the labor force annually, this is an alarming concept to consider, in that societies with growing pools of unemployed youth without prospects tend to experience social and criminal stresses as a result. Giving the private sector a little more room to grow, and promoting the development of more small to medium-sized businesses would likely help ease these stresses. END COMMENT.

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